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**R. J. REYNOLDS TOBACCO COMPANY
RETAIL PARTNERS MARKETING PLAN CONTRACT
SELF-SERVICE PACK OUTLET - LEVEL 2**

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following Retail Partners Marketing Plan effective January 1, 1996, for retail accounts that meet the following criteria:

- 51% or more total industry volume sold by the pack
- 100+ cartons industry brands and minimum of 17 cartons of RJR brands sold per week.
- Distribution of RJR brands in all price-tiers as required.

retailer meeting the above requirements should discuss alternatives with an RJR Representative.

RETAIL PARTNERS MARKETING PLAN ELEMENTS:

- RJR Full Price pack display in prime position.
- RJR Full Price pack display in primary selling area.
- RJR Savings brand pack display(s) in a primary Savings Brand position.
- Displays selected will merchandise no less than 40 pack facings of product.

RETAIL PARTNERS MARKETING PLAN ELEMENT REQUIREMENTS

Full Price Displays

- Display #1 must be located at #1 cash register in primary position as determined by an RJR representative.
- Display #2 must be self-service and may not be obstructed from consumer by competitive displays or other products.
- Both displays must be self-service and may not be obstructed from consumer by competitive displays or other products.

Savings Display

- Selected display(s) must be adequate in size to display and promote ALL RJR Savings Brands designated for display by an RJR representative.
- Multiple displays/locations may be used to adequately merchandise RJR Savings Brands, as approved by an RJR representative.
- Retailer will provide RJR pricing capability no less than parity with other tobacco companies.

Other

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RJ reserves the right for final approval of display/advertising types, sizes and locations. Displays, fixtures, and free-standing signage will be fit as designated by RJR.

ADDITIONAL MERCHANDISING/PRESENCE REQUIREMENTS

- Retailer further agrees to:
 - Provide promotional assistance as requested by RJR.
 - Display RJR "Lowest" brands, if applicable
 - Provide RJR accurate volume information
 - Authorize primary and other suppliers to release brand style volume information to RJR.
 - Provide RJR share of available signage equal to RJR Share of Market.
 - Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
 - Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
 - Accept new RJR brand styles, as requested.
 - Permit RJR to make reasonable audits of performance and to inspect and rotate RJR products.

Permanent RJR advertising will be affixed to RJR displays/merchandisers utilized under this agreement. Retailer will not permit additional advertising of any kind, including that relating to retailers own products, to be affixed to or interfere with RJR displays.

- Changes in agreed location of displays/advertising, or effectiveness of location will result termination of this agreement.
- Restricting RJR's ability to display, promote or distribute RJR brands or the ability to compete equally with other tobacco companies in all areas at retail, will result in termination of the agreement.
- RJR reserves the right to modify or terminate this agreement after notice to retailer. In the event of failure of performance by the retailer, this contract may be terminated by RJR forthwith and without notice.

RETAIL PARTNERS MARKETING PLAN PAYMENT

RJR volume will be determined by the average weekly sales of all RJR brands during the most recent 3-month period.

RJR will pay qualifying retailer \$_____ per month for performance of all requirements under this agreement.

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter, but more than one calendar month. Retailer will not deduct amounts due under contract from invoices due RJR.

RETAIL ACCRUAL PROGRAM ELEMENTS

- Qualifying Merchandising/Presence elements of RJR's Retail Partners Marketing Plan.
- All requirements/criteria stated in Merchandising/Presence section are applicable to Retail Accrual program.

Program Options

Option 1: RJR Retail Accrual - monthly accrual based on RJR designated Level 1, Level 2, or Level 3 RJR volume grid.

Option 2: RJR Retail Accrual with Retailer/RJR Match - monthly accrual with additional Retailer/RJR Match funds based on RJR designated Level 1, Level 2, or Level 3 RJR volume grid.

RETAIL ACCRUAL PROGRAM OPTION REQUIREMENTS

OPTION 1

- Accrual process will begin on contract signing date if prior to the 15th day of the month. Sign up after the 15th day of the month will start accrual the following month.
- Retail Accrual funds are to be utilized to promote selected RJR Full Price and Savings Brands as designated by an RJR Representative.
- Partner Promotions, specific to Retail Accrual participants, will be available based on level of Retail Accrual participation and RJR volume category criteria. Partner Promotion participation, as required by the Retail Accrual program, is necessary to maximize accrual fund application. Retailers electing not to participate in Partner Promotion(s) will lose usage of funds designated for such purpose.
- All promotions require approval by RJR prior to implementation.
- Retailer reimbursement will occur as soon as practicable following successful completion of the subject pre-approved RJR Retail Accrual promotion.
- RJR Promotion Dollar Liability is limited to the allocated dollar amount of Retail Accrual as designated by RJR.
- Retail Accrual funds will be accrued by the month. Funds accrued during one calendar quarter are available for use immediately.
- Unused funds may be carried over to the subsequent quarter with prior approval by RJR.
- Funds not utilized for the designated year may not be carried over to the subsequent year.

OPTION 2

- All requirements/benefits stated in Option 1 are applicable to Option 2.
- Retailer must provide matching funds in an amount equal to 50% of Option 1 rate. Retailer match dollars are utilized in the same manner as Option 1 funds and are payable not later than individual promotion completion.
- RJR will provide additional funds in an amount equal to Retailer Match monies. RJR Match monies will be accrued on a monthly basis and are available for use on the same basis as the Option 1 funds.

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